Faculty of Commerce and Economics
School of Banking and Finance

FINS3616
INTERNATIONAL BUSINESS FINANCE

COURSE OUTLINE
SESSION 2, 2006
1. COURSE STAFF

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1.1 Communication with Staff

Consultation Hours are:

Alfred Yawson: Monday 11 am to 1 pm
Asfandyar Uppal: TBA
Cong Chen: TBA
Sarah Hall: TBA

Consultation hours are held in the relevant staff’s office as indicated above. Outside these times, meetings are by prior appointment only. E-mail the staff in question and arrange a mutually convenient time. Teaching staff will only respond to emails with reference to sender’s student name and student number.

2. INFORMATION ABOUT THE COURSE

2.1 Teaching times and Locations

<table>
<thead>
<tr>
<th>Day</th>
<th>Time</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>17:00 – 19:00</td>
<td>WEBSTER B</td>
</tr>
<tr>
<td>Tuesday</td>
<td>11:00 – 13:00</td>
<td>APP SC L1</td>
</tr>
<tr>
<td>Tuesday</td>
<td>14:00 – 16:00</td>
<td>BIOMED A</td>
</tr>
</tbody>
</table>

2.2 Units of Credit
This course carries 6 UOC
2.3 Parallel teaching in the course

There is no parallel teaching for this course

2.4 Relationship of this course to other course offerings

This is a core subject for all students who wish to graduate with finance major in the BCom. Typically, students undertake this course in their second or third year of the BCom programme. The course is relevant to a broad range of professions including corporate treasury management, corporate finance, international securities trading and investment management.

2.5 Approach to learning and teaching

The experiential learning approach will be adopted throughout the course. This involves a reflection of the knowledge and experience gained by students in their previous academic and professional activities.

3. COURSE AIMS AND OUTCOMES

3.1 Course Aims

This course provides students with the basic theoretical and practical knowledge required for the management of financial functions of firms operating in several countries. This includes necessary theory and evidence basic to an understanding of international capital and foreign exchange markets. In particular, this course covers topics such as international diversification, foreign direct investment decisions, costs of capital for multinational corporations, financial and political risks, the role of multinational banks and the financial benefits of Euro-currencies and Eurobonds, short-term financing, and international equity markets. The general emphasis is on the identification and management of risk relating to exchange rate fluctuations and government policy changes.

3.2 Student Learning Outcomes

By the end of the course, you should be able to:

1. Understand international capital and foreign exchange market
2. Identify and appraise investment opportunities in the international environment
3. Identify risk relating to exchange rate fluctuations and government policies and develop strategies to deal with them
4. Develop strategies to deal with other types of country risks associated with foreign operations
5. Understand theoretical and practical issues involved in managing international investment portfolio

3.3 Teaching Strategies

This course is a combination of formal lectures and tutorials (problem solving classes). The lectures are used to explain concepts and to give real life examples of situations in which these concepts are used. The tutorials are for problem-solving and discussion of issues raised in the lectures. All tutorial questions are from end of chapter exercises in Butler. There is an expectation that students will engage in additional readings, as well as Butler. The conceptual questions are from the first set of questions ‘Conceptual Questions’, the problems questions are taken from the second set of questions ‘Problems’. For the discussion questions students should at least prepare shorthand notes. For problems, students should prepare detailed answers. If some of the conceptual questions cannot be covered in tutorials you must complete them in your own time and record them in your subject work folder. In all classes, students are encouraged to ask questions if there is material that they do not understand.

4. STUDENT RESPONSIBILITIES AND CONDUCT

4.1 Workload

It is expected that you will spend at least ten hours per week studying this course. This time should be made up of reading, research, working on exercises and problems, and attending classes. In periods where you need to complete assignments or prepare for examinations, the workload may be greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

4.2 Attendance

Your regular and punctual attendance at lectures and tutorials is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessment.
4.3 General Conduct and Behaviour

You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. More information on student conduct is available at: www.my.unsw.edu.au

4.4 Keeping informed

You should take note of all announcements made in lectures, tutorials or on the course web site. From time to time, the University will send important announcements to your university e-mail address without providing you with a paper copy. You will be deemed to have received this information.

5. LEARNING ASSESSMENT

5.1 Formal requirements

In order to pass this course, you must:
• Achieve a composite mark of at least 50%

5.2 Assessment Details

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Due</th>
<th>Weight</th>
<th>Learning Outcome/s assessed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tutorial Participation*</td>
<td>Weeks 2-14</td>
<td>10% (6% Attendance + 4% Participation)</td>
<td>Tutorial questions are designed to test and assess students understanding of the topic area.</td>
</tr>
<tr>
<td>Group Assignment**</td>
<td>Week 13</td>
<td>20%</td>
<td>The group assignment is designed to (1) test student appreciation of multinational corporations. (2) build team work and communication skills</td>
</tr>
<tr>
<td>Mid session Exam***</td>
<td>Week 7</td>
<td>30%</td>
<td>The mid session exam will test your understanding of the international financial environment and currency risk management.</td>
</tr>
<tr>
<td>Final Examination</td>
<td>Formal Exam period</td>
<td>40%</td>
<td>The final exam will test your understanding of how to manage currency risk using operating hedges; valuation and the structure of MNCs; and international portfolio investment.</td>
</tr>
</tbody>
</table>
*WARNING:* Students will only receive class participation credit for the tutorial they are officially enrolled in. It is up to the individual student to ensure that they are officially enrolled in the tutorial they are attending.

** There is one compulsory group assignment that must be submitted for this course. Details will be available on WebCT in due course.

***The Mid-Session Examination will cover lecture materials and the corresponding tutorials from weeks 1 to 5. Attendance is compulsory. Please see note on supplementary examination and application for special consideration. The supplementary examination for the mid-session examination, if any, will be held shortly after the original mid-session examination date. There will be no lectures or tutorials during the week of the mid-session examination. The final examination will be based on the remaining weeks’ topics. Details regarding the mid-session and end of session exams will be posted on WebCT.

5.3 Special Consideration and Supplementary examinations

UNSW policy and process for Special Consideration applies (see [https://my.unsw.edu.au/student/atoz/SpecialConsideration.html](https://my.unsw.edu.au/student/atoz/SpecialConsideration.html)). Specifically:

- Applications for special consideration (including supplementary examinations) must go through UNSW Central administration (within 3 working days of the assessment to which it refers) – applications will not be accepted by teaching staff;
- Applying for special consideration does not automatically mean that you will be granted additional assessment or that you will be awarded an amended result;
- If you are making an application for special consideration (through UNSW Central Administration) please notify your Lecturer in Charge;
- Please note: a register of applications for Special Consideration is maintained. History of previous applications for Special Consideration is taken into account when considering each case.

6. Academic Honesty and Plagiarism

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see: [http://www.lc.unsw.edu.au/plagiarism/index.html](http://www.lc.unsw.edu.au/plagiarism/index.html)
Plagiarism is the presentation of the thoughts or work of another as one’s own.* Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person’s assignment without appropriate acknowledgement;
- paraphrasing another person’s work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;
- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does not amount to plagiarism.

Students are reminded of their Rights and Responsibilities in respect of plagiarism, as set out in the University Undergraduate and Postgraduate Handbooks, and are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty. It can be located at:

www.lc.unsw.edu.au/plagiarism

The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

- correct referencing practices;
- paraphrasing, summarising, essay writing, and time management;
- appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle
† Adapted with kind permission from the University of Melbourne.

7. STUDENT RESOURCES

7.1 Course Resources
**Required textbook:**


**Recommended textbooks:**


**Other Useful Reference Texts:**


**WebCT Vista**

Lecture notes, tutorial answers, assessment details, and announcements are all provided on WebCT Vista. Students should make a point of checking this site regularly.

**7.2 Other Resources, Support and Information**

The University and the Faculty provide a wide range of support services for students, including:

- **Learning and study support**
  - FCE Education Development Unit (http://education.fce.unsw.edu.au)
  - UNSW Learning Centre (http://www.lc.unsw.edu.au)
  - EdTec – WebCT information (http://www.edtec.unsw.edu.au)
• **Counselling support** - [http://www.counselling.unsw.edu.au](http://www.counselling.unsw.edu.au)

• **Library training and support services** - [http://info.library.unsw.edu.au](http://info.library.unsw.edu.au)

• **Disability Support Services** – Those students who have a disability that requires some adjustment in their teaching or learning environment are encouraged to discuss their study needs with the Course Coordinator or the Equity Officer ([http://www.equity.unsw.edu.au/disabil.html](http://www.equity.unsw.edu.au/disabil.html)). Early notification is essential to enable any necessary adjustments to be made.

In addition, it is important that all students are familiar with University policies and procedures in relation to such issues as:

• **Examination procedures** and advice concerning illness or misadventure [https://my.unsw.edu.au/student/academiclife/assessment/examinations/examinationrules.html](https://my.unsw.edu.au/student/academiclife/assessment/examinations/examinationrules.html)


8. **CONTINUAL COURSE IMPROVEMENT**

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process ([http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm](http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm)) is one of the ways in which student evaluative feedback is gathered. Significant changes to courses and programs within the School are communicated to subsequent cohorts of students.
9. COURSE SCHEDULE

Lecture Topics and Required Reading

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<thead>
<tr>
<th>Week</th>
<th>Subject</th>
<th>Butler Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Part One Overview and Background</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Introduction/course information</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>World Trade and the International Monetary System</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td><strong>Part 2 The International Financial Environment</strong></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Foreign Exchange, Eurocurrencies, and Currency Risk Management</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>The International Parity Conditions</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td><strong>Part 3 Derivative Securities for Currency Risk Management</strong></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Currency Futures and Futures Market</td>
<td>6</td>
</tr>
<tr>
<td>5</td>
<td>Currency Options and Options Market</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td><strong>Part 4 Managing the Risk of Multinational Corporation</strong></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Multinational Treasury Management</td>
<td>10</td>
</tr>
<tr>
<td>7</td>
<td>Mid session exam</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Managing Operating Exposure to Currency Risk</td>
<td>12</td>
</tr>
<tr>
<td>9</td>
<td>Managing Translation Exposure to Currency Risk</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td><strong>Part 5 Valuation and the Structure of Multinational Operations</strong></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Cross-Border Capital Budgeting</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>No lectures</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Multinational Capital Structure and Cost of Capital</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Real Options and Cross-Border Investment</td>
<td>18</td>
</tr>
<tr>
<td>12</td>
<td>Corporate Governance and the International Market for Corporate Control</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>International Portfolio Diversification</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td><strong>Part 6 International Portfolio Investment and Asset Pricing</strong></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>International Asset Pricing</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>Managing an International Investment Portfolio</td>
<td>22</td>
</tr>
<tr>
<td>14</td>
<td>Review</td>
<td>-</td>
</tr>
</tbody>
</table>
## Tutorial Schedule

<table>
<thead>
<tr>
<th>Tutorial</th>
<th>Butler End of Chapter</th>
<th>Conceptual Questions</th>
<th>Problem Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 2</td>
<td>1</td>
<td>1 to 11/group formation</td>
<td>-</td>
</tr>
<tr>
<td>Week 3</td>
<td>2, 3</td>
<td>1 to 9, 1,3,6,8</td>
<td>-</td>
</tr>
<tr>
<td>Week 4</td>
<td>4, 5</td>
<td>1,3,4,6,8, 1,4,8,9,11</td>
<td>1,6,7,13,14, 2,6,12,13</td>
</tr>
<tr>
<td>Week 5</td>
<td>6, 7</td>
<td>1,4,5,6, 1,3,4,6</td>
<td>1,5, 7,8,9</td>
</tr>
<tr>
<td>Week 6</td>
<td>8, 9</td>
<td>1 to 6, 1,2,3</td>
<td>1,3, 1,5</td>
</tr>
<tr>
<td>Week 7</td>
<td>Mid session exams</td>
<td>3,5,10,11,14, 1,3,4,5,8</td>
<td>1,2, 4,5,6</td>
</tr>
<tr>
<td>Week 8</td>
<td>10, 11</td>
<td>1,3,4,8,9, 1,2,3,4,5,9,11</td>
<td>1,2</td>
</tr>
<tr>
<td>Week 9</td>
<td>12, 13</td>
<td>1,2,3,4,9,10,11, 1,2,3</td>
<td>1</td>
</tr>
<tr>
<td>Week 10</td>
<td>14, 15</td>
<td>1,2,3,9,10,11, 1,2,3</td>
<td>1,3, 1,2,6,7,8,9,10</td>
</tr>
<tr>
<td>Week 11</td>
<td>16, 18</td>
<td>1,4,7,8,9, 2,3,5,8,9</td>
<td>3,6, 1,2,7</td>
</tr>
<tr>
<td>Week 12</td>
<td>19, 20</td>
<td>1,2,4,5,6,7,10, 7,9,10,11</td>
<td>2,4, 5,8,9</td>
</tr>
<tr>
<td>Week 14</td>
<td>21, 22</td>
<td>4,6,9,12,13,15, 1,2,6,7</td>
<td>2,3,6, 1,2</td>
</tr>
</tbody>
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